



**Joint Legislative Audit Committee**  
**Office of the Auditor General**



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**FINANCIAL AUDIT**  
**DEPARTMENT OF INSURANCE**  
**YEAR ENDED JUNE 30, 1978**

The regulations of the Federal Office of Revenue Sharing require governments receiving revenue sharing funds to have audits of their financial statements not less than once every three years. This audit assists in fulfilling the audit requirements necessary to continue California's eligibility for federal revenue sharing funds.

Our examination was made in accordance with generally accepted auditing standards and included studying and evaluating the Department's system of internal control. This study and evaluation disclosed several conditions which we believe to be weaknesses and were considered in determining the nature, timing, and extent of our audit tests. Presentation of these conditions, however, does not modify our opinion on the financial statements.

**REPORT TO THE**  
**CALIFORNIA LEGISLATURE**

**REPORT F-662**

REPORT OF THE  
JOINT REVENUE SHARING TASK FORCE  
TO THE  
JOINT LEGISLATIVE AUDIT COMMITTEE  
AND THE  
DEPARTMENT OF FINANCE

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FINANCIAL AUDIT REPORT  
DEPARTMENT OF INSURANCE  
YEAR ENDED JUNE 30, 1978



# California Legislature

## Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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RICHARD ROBINSON  
CHAIRMAN

June 12, 1979

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The Honorable Speaker of the Assembly  
The Honorable President pro Tempore of the Senate  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Department of Insurance, Year Ended June 30, 1978.

The auditors are Robert L. Hamric, CPA; William L. Woodward, CPA; Sandra S. Bevers; and Thomas R. Dovi.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard Robinson".

RICHARD ROBINSON  
Assemblyman, 72nd District  
Chairman, Joint Legislative  
Audit Committee

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## INTRODUCTION

In compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Department of Insurance. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code and in the Department of Finance by Section 13294 of the Government Code.

The principle objectives of the Department of Insurance are:

- To prevent losses to policyholders, beneficiaries or the public due to the insolvency of insurers;
- To prevent unlawful or unfair practices by insurers as defined in the Insurance Code;
- To answer inquiries and address complaints about insurance rates and treatment of claims;
- To collect taxes from insurers and surplus line brokers who file annual tax returns covering quarterly prepayments and annual payments of premium taxes, retaliatory taxes and surplus line brokers taxes;
- To protect California's general public and its insurance policyholders from discriminatory, unlawful or fraudulent practices as well as incompetence relating to the sale of insurance;

- To provide certain examinations as required by statute. The Department administers insurer's field, rating and underwriting examinations; monitors insurer's financial information to detect conditions that could lead to insolvency; determines through reviewing proxy statements and other solicitations that proper disclosures are made to the insurance-investing public; manages financially-distressed insurance companies; and reviews policy forms for disability insurance, group life policies, credit life and credit disability policies and all fraternal benefit society forms;
- To ensure that applicants for producer licenses understand the business of insurance and its laws and regulations;
- To receive complaints from the public alleging insurance agents or broker's misconduct. The Department investigates those complaints and, if there has been a violation of law, takes prompt, corrective action.

Programs of the Department of Insurance are supported by appropriations from the State's General Fund.

## AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature  
and the Department of Finance:

We have examined the combined balance sheet of the Department of Insurance as of June 30, 1978, and the related statements of revenues, expenditures and changes in operating clearing and fund balances for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Because of inadequate supporting records, we were unable to obtain sufficient evidence to form an opinion regarding the General Fixed Assets account group amounting to \$252,659 at June 30, 1978. Accordingly, we do not express an opinion on the General Fixed Assets account group.

In our opinion, the accompanying financial statements, except as stated in the preceding paragraph, present fairly the financial position of the Department of Insurance as of June 30, 1978, and the results of its operations and changes in operating clearing and fund balance accounts for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying combined balance sheet captioned "Total - Memorandum Only" for June 30, 1978, are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

The column amounts on the accompanying financial statements for the year ended June 30, 1977, which are presented for comparative purposes only, were not audited by us and accordingly we do not express an opinion on them.

In connection with our examination, we also made a study and evaluation of the Department of Insurance's system of internal accounting control. Our findings are set forth under the heading "Comments and Recommendations."

Revenue Sharing Task Force



Wesley E. Voss  
Assistant Auditor General

Date: December 14, 1978

Staff: Robert L. Hamric, CPA  
William L. Woodward, CPA  
Sandra S. Bevers  
Thomas R. Dovi

DEPARTMENT OF INSURANCE  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1978  
(With Unaudited Amounts for 1977)

ASSETS	GOVERNMENTAL FUNDS		FIDUCIARY FUNDS		ACCOUNT GROUP	TOTAL (Memorandum Only)	
	General Fund	Insurance Fund	Insurance Trust Fund	Special Deposit Fund	General Fixed Assets (Note 8)	June 30, 1978	June 30, 1977
Cash	\$ 14,818	\$642,083	\$ -	\$3,832	\$ -	\$ 660,733	\$ 364,465
Security Guaranty Deposits Held in Trust for Insurance Companies	-	-	1,942,779,528	-	-	1,942,779,528	1,528,950,748
Accounts Receivable	634,182	14,652	-	-	-	648,834	387,966
Allowance for Deferred Accounts Receivable	(37,400)	-	-	-	-	(37,400)	(36,742)
Prepayments to Service Revolving Fund	6,921	-	-	-	-	6,921	34,588
Expense Advance to Employees	64,737	-	-	-	-	64,737	33,754
Equipment	-	-	-	-	252,659	252,659	158,159
<b>TOTAL ASSETS</b>	<b>\$ 683,258</b>	<b>\$656,735</b>	<b>\$1,942,779,528</b>	<b>\$3,832</b>	<b>\$252,659</b>	<b>\$1,944,376,012</b>	<b>\$1,529,892,938</b>
<b>LIABILITIES, ENCUMBRANCES OUTSTANDING AND FUND EQUITY</b>							
Liabilities:							
Accounts Payable (Note 2)	\$ 306,368	\$ 869	\$ -	\$ -	\$ -	\$ 307,237	\$ 143,216
Reimbursements Collected in Advance	12,385	-	-	-	-	12,385	26,990
Due to General Fund (Note 10)	-	653,755	-	-	-	653,755	183,500
Due to Insurance Tax Fund (Note 11)	20,153	-	-	-	-	20,153	39,950
Liability for Local Taxes	-	2,111	-	-	-	2,111	1,428
<b>TOTAL LIABILITIES</b>	<b>338,906</b>	<b>656,735</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>995,641</b>	<b>395,084</b>
Encumbrances Outstanding (Note 3)	625,181	-	-	-	-	625,181	404,231
<b>Fund Equity:</b>							
Investment in General Fixed Assets	-	-	-	-	252,659	252,659	158,159
Operating Clearing (Note 4)	(280,829)	-	-	-	-	(280,829)	(19,081)
Fund Balance:							
Unclaimed Trust Money	-	-	-	128	-	128	93
Unclaimed Liquidation Money	-	-	-	3,704	-	3,704	3,704
Securities Held in Trust	-	-	1,942,779,528	-	-	1,942,779,528	1,528,950,748
<b>TOTAL FUND EQUITY</b>	<b>(280,829)</b>	<b>-</b>	<b>1,942,779,528</b>	<b>3,832</b>	<b>252,659</b>	<b>1,942,755,190</b>	<b>1,529,093,623</b>
<b>TOTAL LIABILITIES, ENCUMBRANCES OUTSTANDING AND FUND EQUITY</b>	<b>\$ 683,258</b>	<b>\$656,735</b>	<b>\$1,942,779,528</b>	<b>\$3,832</b>	<b>\$252,659</b>	<b>\$1,944,376,012</b>	<b>\$1,529,892,938</b>

The notes to the financial statements are an integral part of this statement.



DEPARTMENT OF INSURANCE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN OPERATING CLEARING - BUDGET AND ACTUAL  
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978  
(With Unaudited Amounts for 1977)

	1978			1977
	Budget As Adjusted	Actual	Over (Under) Budget	Actual
<u>Sources of Financial Resources</u>				
Other Sources:				
Support Appropriation (Note 6)	\$ 7,371,412	\$ 7,002,607	\$(368,805)	\$6,266,055
Special Appropriation - Riot and Civil Disorder Insurance	200,000	200,000	-	170,000
Reimbursements (Note 9)	3,125,945	3,091,960	(33,985)	2,644,086
Refunds to Reverted Appropriations	-	483,313	483,313	584,942
Total Sources of Financial Resources	<u>\$10,697,357</u>	<u>10,777,880</u>	<u>\$ 80,253</u>	<u>9,665,083</u>
<u>Uses of Financial Resources</u>				
Expenditures:				
Current:				
Personal Services	\$ 8,017,058	7,950,740	\$ (66,318)	6,707,785
General Expense	361,021	360,036	( 985)	418,957
Communications	249,092	248,961	( 131)	224,408
Printing	88,301	86,684	( 1,617)	99,244
Travel-in-State	297,538	297,455	( 83)	159,990
Travel-out-of-State	201,772	200,934	( 838)	116,458
Specialized Training	70,736	70,736	-	22,136
Rent - Building Space	415,885	414,316	( 1,569)	371,988
Moving Expense (Employee Relocation)	10,328	10,328	-	238
Special Charges for Security Deposits	66,108	66,108	-	60,200
National Association of Insurance Commissioners Membership	51,367	51,367	-	91,606
Attorney General Charges	153,435	153,435	-	101,124
EDP Contract (Producers)	350,076	347,695	( 2,381)	425,616
Administrative Hearing Charges	67,133	67,133	-	62,876
Equipment	97,507	97,507	-	132,785
State's Share of Riot and Civil Disorders Insurance	200,000	200,000	-	170,000
Total Current Expenditures	<u>\$10,697,357</u>	<u>10,623,435</u>	<u>\$ (73,922)</u>	<u>9,165,411</u>
Remittances to State Controller - Refunded Riot and Civil Disorder Insurance Premiums		537,313		634,142
Prior Year:				
Prior Year Appropriation Adjustment Support (Note 7)		(67,121)		(16,783)
Riot and Civil Disorders Insurance		(30,000)		(73,200)
Total Uses of Financial Resources		<u>11,063,627</u>		<u>9,709,570</u>
Net Increase (Decrease) in Operating Clearing During the Year		(285,747)		(44,487)
Operating Clearing - July 1		<u>4,918</u>		<u>49,405</u>
Operating Clearing - June 30		<u>\$ (280,829)</u>		<u>\$ 4,918</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF INSURANCE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
INSURANCE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978  
(With Unaudited Amounts for 1977)

	1978			1977
	Budget As Adjusted	Actual	Over (Under) Budget	Actual
<u>Sources of Financial Resources</u>				
Revenues: (Note 5)				
Insurance License Fees and Penalties	\$5,837,868	\$6,088,571	\$ 250,703	\$5,893,657
Other Fees	733,000	530,139	(202,861)	461,447
Miscellaneous Income	<u>177,000</u>	<u>198,773</u>	<u>21,773</u>	<u>162,077</u>
Total Revenues <sup>a/</sup>	6,747,868	6,817,483	69,615	6,517,181
Other Sources:				
Prior Year Income Adjustments	-	(8,181)	(8,181)	(1,422)
Total Sources of Financial Resources	<u>\$6,747,868</u>	<u>6,809,302</u>	<u>\$ 61,434</u>	<u>6,515,759</u>
<u>Uses of Financial Resources</u>				
Expenditures:				
Current:				
Transfers to General Fund (Note 5)	\$6,747,868	6,809,302	\$ 61,434	6,515,759
Total Uses of Financial Resources	<u>\$6,747,868</u>	<u>6,809,302</u>	<u>\$ 61,434</u>	<u>6,515,759</u>
Net Increase (Decrease) in Fund Balance During the Year		-		-
Fund Balance - July 1		-		-
Fund Balance - June 30		<u>\$ -</u>		<u>\$ -</u>

<sup>a/</sup> Revenues are not budgeted in the legislative budget bill. The amounts shown on this statement are agency budgeted revenue amounts that are shown in the Governor's Annual Budget.

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF INSURANCE  
STATEMENT OF CHANGES IN FUND BALANCE  
INSURANCE TRUST FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978  
(With Unaudited Amounts for 1977)

	<u>1978</u>	<u>1977</u>
Fund Balance - July 1	\$1,528,950,748	\$1,281,726,530
Additions:		
Deposit of Securities to State Treasury	597,258,101	412,745,503
Deductions:		
Withdrawal of Securities from State Treasury	<u>183,429,321</u>	<u>165,521,285</u>
Fund Balance - June 30	<u>\$1,942,779,528</u>	<u>\$1,528,950,748</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF INSURANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1978

1. Summary of Significant Accounting Policies

The preceding financial statements reflect the financial position and results of operations of the Department of Insurance. The accounts are maintained in the General Fund, the Insurance Fund, the Insurance Trust Fund (for securities held as guaranty deposits) and the Special Deposit Fund.

The accounting policies of the Department of Insurance conform to generally accepted accounting principles as contained in the State Administrative Manual.

General Fund

The Department of Insurance accounts for only its portion of the State's General Fund. The State Controller maintains central accounts for the General Fund and publishes consolidated General Fund statements.

Income:

Throughout the fiscal year, income is accounted on a cash basis, except appropriation reimbursements which are recorded when billed. At June 30, the accounts are adjusted to a modified accrual basis. All earned but uncollected revenues and unbilled reimbursements are accrued, except revenue receivables estimated to be uncollectible within one year which are fully reserved.

Expenditures:

During the fiscal year, expenditures are accounted on a claims filed (with the State Controller) basis. Valid expenditure commitments are accrued at June 30.

Appropriation for Riot and Civil Disorders Insurance

This General Fund appropriation pays the State's share of the cost of providing riot and civil disorders insurance pursuant to Division 4 of the Insurance Code. Refunds of past years' premium payments received during the 1977-78 fiscal year are deposited in the General Fund.

Insurance Fund

The Insurance Fund is used to account for revenues received for regulating and licensing insurers and sellers.

Income:

Throughout the fiscal year, income is accounted on cash basis. At June 30, the accounts are adjusted to a modified accrual basis. All earned but uncollected revenues are accrued.

Expenditures:

Throughout the fiscal year, revenues less refunds of overpayments are transferred to the General Fund.

### Insurance Trust Fund

The Commissioner requires every insurer transacting insurance business in this State to have on file a bond in favor of the people of the State of California. This bond must be approved by the Commissioner and must be currently effective to cover the accruing liabilities of the insurer. Certain specified securities may be substituted for the required bonds.

The Department uses this fund to account for the bonds and securities the issuers file. The Commissioner shall, upon the receipt of such securities, make a special deposit in the State Treasury.

The Department of Insurance maintains subsidiary records by insurance company; bonds are valued at face value. Deposited securities are valued at par value or market value, whichever is lower. Preferred stock is valued at its market value.

### Special Deposit Fund

The Special Deposit Fund includes monies received or collected for specific purposes by a state agency for which no fund has been created in the State Treasury. The State Controller maintains separate fund accounts for each agency and publishes consolidated Special Deposit Fund Statements.

### Income and Expenditures:

Both income and expenditures are accounted on a cash basis during the fiscal year.

## Liabilities

Retirement Plan: Regular employees of the Department of Insurance are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the agency and employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year included in the expenditures-personal services account were \$1,169,284.

Vacation and Sick Leave: The State does not record the costs of vacation and sick leave at the time the benefits are accumulated. However, at the time of usage, the State charges the expenditures-personal services account.

## General Fixed Assets

Purchases of equipment are recorded as expenditures in the year of acquisition. The aggregate cost, with the exception of certain nonexpendable equipment items not on the State Administrative Manual equipment list, is capitalized and fully reserved on the balance sheet. Nonexpendable equipment, generally valued at \$150 or over with a useful life of two years or more, is recorded at original cost, or if not available, at fair market value.

2. Accounts Payable

Accounts payable include all unpaid liabilities for goods and services received as of June 30. Accordingly, they also include liabilities for which disbursement requests were submitted to the State Controller by June 30, but which had not been paid as of that date.

3. Encumbrances Outstanding

Encumbrances outstanding include all valid commitments against budget appropriations for which no goods or services had been received by June 30.

4. Operating Clearing

This account is the connecting link between the Department of Insurance's portion of the General Fund and the central accounts of the General Fund maintained by the State Controller. The account balance at June 30 represents a clearing account between the Department of Insurance and the State Controller.

5. Revenues

Revenues collected by a state agency that is supported by an appropriation from the General Fund are considered General Fund revenues and are remitted in total to the State Treasurer.



6. Support Appropriation

Support appropriation is the portion of the General Fund which the legislative budget act allocated to the Department of Insurance.

7. Prior Year Appropriation Adjustment

This account shows the difference between the net amount of expenditures, abatements and reimbursements accrued as of the previous June 30 and the actual amount of expenditures, abatements and reimbursements during the current fiscal year (including accruals) for appropriations no longer available for encumbrance.

8. General Fixed Assets Account Group

The agency has not maintained an adequate record of its general fixed assets. For example, subsidiary records have not been reconciled with the general ledger equipment account. Furthermore, the Department has not completed a physical inspection of equipment in three years. Additions in the general ledger account are not reconciled with equipment expenditures per the allotment expenditure ledger.

9. Reimbursements

Reimbursements are for charges to regulated companies for the Department's costs in conducting regulatory examinations or investigations.

10. Due to General Fund

Revenue collected by the Insurance Fund is remitted to the State Controller's accountability for the General Fund.

11. Due to Insurance Tax Fund

The Department of Insurance collects revenue for the Insurance Tax Fund. Since, the State Controller's office maintains the records for this fund, its statements are not included in this report.

## COMMENTS AND RECOMMENDATIONS

### Internal Accounting Control

As part of our examination, we made a study of the Department of Insurance's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing the examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can

result from misunderstood instructions, mistaken judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to executing and recording transactions or with respect to the estimates and judgments required in preparing financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements was made in accordance with generally accepted auditing standards. This included studying and evaluating the Department of Insurance's system of internal accounting control for the year ended June 30, 1978. This study and evaluation was designed for the purposes set forth in the first paragraph of this section of the report and would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, such study and evaluation disclosed the following conditions which we believe to be weaknesses.

#### Property Transactions

Accountability for property transactions needs improvement.  
Comments and recommendations follow:

### Equipment Not Tagged

Equipment is not being tagged promptly as required by Section 8637 of the State Administrative Manual.

Recommendation: Equipment be tagged promptly as required by Section 8637 of the State Administrative Manual.

### Property Transactions Are Not Reconciled Quarterly

Equipment expenditures per the Allotment Expenditure Ledger do not correspond to additions in the General Ledger accounts. Also, the Department does not reconcile its property transactions quarterly as required by Section 7923 of the State Administrative Manual.

Recommendation: The Department reconcile equipment expenditures from the current year's state operations appropriations with accretions of major property to the property ledger as required by Section 7923 of the State Administrative Manual.

### Physical Inventory

Physical inventories of equipment are not made at least once every three years. The agency is now conducting its first physical inventory of equipment since before 1975.

Recommendation: Equipment be inventoried at least once every three years as prescribed by Section 8659 of the State Administrative Manual.

### Separation of Duties for Payroll

The personnel director at the San Francisco office is authorized to appoint and separate employees as well as certify attendance reports.

Good internal control procedures require that each of these two duties be performed by different persons.

Recommendation: The Department should divide the functions of appointing and separating employees from the function of certifying attendance reports, and should accordingly assign two different people to perform these duties.

The foregoing conditions were considered in determining the nature, timing and extent of audit tests to be applied in our examination of the financial statements, and this presentation of such conditions does not modify our opinion report on such financial statements.

#### AUDIT ADJUSTMENTS

The aforementioned financial statements contain adjustments to the following accounts:

- Accounts Payable
- Refunds to Reverted Appropriations
- Accounts Receivable
- Operating Clearing
- Encumbrances Outstanding.

The adjustments were necessary to correct the Department's accrual entries. The Department concurred with the suggested journal entries and accordingly adjusted the financial records to reflect those adjustments.

# Memorandum

To : Mr. Samuel E. Hull, Chief  
Joint Revenue Sharing Task Force  
Department of Finance  
1025 P. Street - Room 260  
Sacramento, CA 95814

Date : June 4, 1979

From : Department of Insurance  
100 Van Ness Ave., San Francisco, CA 94102

Subject: Draft Audit Report transmitted by letter dated May 29, 1979

I have reviewed the subject report with members of my staff in addition to the presentation discussion items with the audit staff held on May 29, 1979, in my office. Following is my response to the specific recommendations:

Recommendation: Equipment be tagged promptly as required by Section 8637 of the State Administrative Manual.

Response: Agreed. Procedures are being implemented immediately to do this more promptly.

Recommendation: The Department reconcile equipment expenditures from the current year's state operations appropriations with accretions of major property to the property ledger as required by Section 7923 of the State Administrative Manual.

Response: Agreed. Procedures to implement this recommendation are being established immediately.

Recommendation: Equipment be inventoried at least once every three years as prescribed by Section 8659 of the State Administrative Manual.

Response: Agreed. Procedures to implement this recommendation are being established immediately.


Recommendation: The Department should divide the functions of appointing and separating employees from the function of certifying attendance reports, and should accordingly assign two different people to perform these duties.

Response: Agreed. This has been implemented.

The audit report as well as the discussion with the audit staff at our May 29, 1979 meeting has been very helpful. I wish to complement the audit

Memo: Mr. Samuel E. Hull  
June 4, 1979  
Page 2

staff for the professional manner in which they conducted the audit.

  
GEORGE F. ANDERSON  
Chief, Staff Services and  
Producer Licensing Division

GFA:pdf

cc: Mr. Mark Mariska  
Mr. Clifford Porter  
Mr. Richard Pitto



Office of the Auditor General

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
Secretary of State  
State Controller  
State Treasurer  
Legislative Analyst  
Director of Finance  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
California State Department Heads  
Capitol Press Corps